

AT A MEETING OF THE CULPEPER COUNTY BOARD OF SUPERVISORS HELD
IN THE BOARD ROOM, LOCATED AT 302 N. MAIN STREET, ON APRIL 25, 2007

Board Members Present: *John F. Coates, Chairman*
Steven E. Nixon, Vice-Chairman
Larry W. Aylor
William C. Chase, Jr.
Sue D. Hansohn
Brad C. Rosenberg
Steven L. Walker

Staff Present: Frank T. Bossio, County Administrator
J. David Maddox, County Attorney
Valerie H. Lamb, Finance Director
John C. Egertson, Planning Director
Peggy S. Crane, Deputy Clerk

CALL TO ORDER

Mr. Coates, Chairman, called the meeting to order at 10:00 a.m.

AGENDA – ADDITIONS AND/OR DELETIONS

Mr. Nixon moved, seconded by Mrs. Hansohn, to approve the agenda as presented.

Mr. Coates called for voice vote.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

GENERAL COUNTY BUSINESS

TAX RATES FOR CALENDAR YEAR 2007

Mr. Frank Bossio, County Administrator, made a presentation to highlight the tax levies on real estate, personal property, machinery and tools and aircraft for the calendar year 2007; and information on key performance indicators for the offices of the various Constitutional Officers. He indicated that the Treasurer's Office had increases in the total tax levy billed, delinquent taxes recovered, and sales of vehicle license decals. He noted that the Commissioner of the Revenue had increases in the number of real estate parcels assessed, personal property assessments, and business personal property taxes and machinery and tools taxes, but had a decline in new construction assessments.

Mr. Bossio stated that the outcome of growth was shown at the transfer station and the landfill. He provided statistics on the increased annual tonnage at the landfill, landfill revenue and expense projections, and visits per year at the Lignum and Laurel Valley Residential Convenience Centers. He noted there had always been a slight gap between

landfill revenue and expenses because of the tax subsidy to the landfill for the private owners, but the gap was widening slightly due to measures being taken at the landfill to mitigate some identified problems.

Mr. Bossio discussed public safety and indicated that the Sheriff's Office had increased calls for service. He said the jail had an average daily population of 109 (including inmates housed elsewhere) in the 32-inmate facility, and the cost to transfer prisoners was rising due to less jail space throughout the State. He said the Sheriff's Office was involved in many community activities, such as crime preventions programs, TRIAD, the Citizens' Academy, and special events.

Mr. Bossio stated that the number of calls to E-911 continued to rise and was projected to reach 70,000 calls for service by the end of June; and the EMS units responded, treated and transported patients quickly to the local hospital as needed. He noted that approximately 70 percent of the calls were in and around the Town of Culpeper. He pointed out that the equalized the rate of four cents in the proposed budget provided \$2,351,228 for Emergency Services and \$271,175 for fire and rescue capital.

Mr. Bossio reported that the number of animals held in the Animal Shelter was leveling out, and pet adoptions were increasing. He said the County was now doing its own adoption and spaying/neutering programs, and the average cost per stay per animal was increasing due to the high cost of veterinary services.

Mr. Bossio provided information to indicate how increased growth in the County had affected the Criminal Justice System. He said that adult probation caseloads and placements had continued to increase and were projected to continue to do so. He stated that Options was one of the County's signature programs and had placed juveniles in full programs, anger management, community service, substance abuse assessments/education, and teen dating classes.

Mr. Bossio reported that the County's financial policy required that approximately 15 percent be maintained in the General Fund and additional funds over and above the 15 percent were reserved for emergency purposes. He said that policy allowed the County to cash manage expenditures over the course of the year and pay cash for one-time items. He noted that the reserve for 2008 had decreased from the \$5 million in 2007, but allowed sufficient room in the event the 52-cent equalization rate changed due to alterations in property values by the Board of Equalization. He said projections for 2009 and 2010 had

been made that the budget would grow by \$10 million, even though typically the budget had grown more than that, and that resulted in the 15 percent decreasing in 2009 and breaking even by 2010.

Mr. Bossio stated that with the current advertised real estate tax rate, the tax rate options were as follows:

- In every case, the equalized rate was 52 cents, down from 89 cents. At 89 cents, the fire and rescue tax was 7 cents; and the fire and rescue tax rate was four cents with \$271,175 fire and rescue tax set-aside.
- Four cents would allow for \$3 million to the Schools' operational budget, a new Records Management Division with two new positions and accompanying CIP, one new position for the Commissioner of the Revenue, one new position for the Treasurer, a Commonwealth Attorney position, four new Sheriff's positions, the new Options position, and \$500,000 for future set-aside and capital.
- Three cents would allow \$2.6 million to the Schools' operational budget, a new Records Management Division, one new position for the Commissioner of the Revenue, one new position for the Treasurer, a Commonwealth Attorney position, one new Sheriff's position, one new Options position, and would maintain the \$500,000 for future set-aside.
- Two cents would allow for \$2.3 million for Schools, one new position each for Commissioner of the Revenue, Treasurer, Commonwealth Attorney, Sheriff, Options and the \$500,000 set-aside.
- Zero cents would allow \$1.8 million for the Schools, no new County positions, and would remove the \$500,000 future set-aside funds for other upcoming CIP projects.

Mr. Bossio presented the current and advertised tax rates as follows:

	Current Rates	Advertised Rates
Real Estate	\$.89	\$.59
Personal Property	3.50	3.50
Recreational PP	2.50	2.50
Aircraft	.63	.63

Mr. Bossio stated that he would attempt to answer the two questions raised at the budget presentation: One regarding the County's budgeting to the CIP and population model and the other regarding aircraft personal property tax.

Mr. Bossio explained that County staff was constantly looking at the rate of inflation in terms of proposed budget increases, but found that the CPI increases/decreases did not take into consideration the significant infrastructure needed for new jails, schools, etc. He

said that to take the CIP away from the CPI would have a significant impact on how debt service would be managed. He provided instances when CIP projects had increased over and above what the CPI might be. He stated that staff would continue to study the issue and the model to determine if there may be a way to index these projects.

Mr. Bossio explained that prior to 2007 the aircraft personal property tax was \$2.50 per hundred based on 25 percent of the fair market value before the Commissioner of the Revenue adjusted the rate to 100 percent of the fair market value that equalized the rate at 63 cents. He noted that one of the fundamental differences between airplanes and other personal property, including every other recreational use, was that aircraft owners paid a significant fee to the County to house their airplanes on County property. He said that every airport in surrounding counties had made the same decision in order to have airplanes come to their airports, which was important because the more airplanes and more accounts, the more Federal and State dollars could be drawn to help build airports and save local funding. He pointed out that almost \$18 million had been spent on the Culpeper airport over the last nine years, and approximately \$470,000 was local money. He said if the current rate were changed to \$2.50 of fair market value, the amount would increase from \$36,000 to \$144,000; but on the business side, the 105 T-hangars produced \$217,000 and the two large hangars produced \$60,000 for a total of \$331,000 in revenue compared to the \$144,000, as well as the gas sold to the users of the airport, such as Lowe's, Target, Merillat, Continental Teves, Commonwealth Park, Homeland Security and Terremark. He provided information regarding how surrounding counties taxes aircraft personal property.

Mrs. Hansohn asked whether the airport revenue went into the General Fund. Mr. Bossio replied that it did.

Mrs. Hansohn inquired about the status of the debt on the hangars. Mr. Bossio replied that the debt for airport hangars would be paid for the next five years by the revenues received and at the end of the five years the hangar rents would be positive revenue. Mrs. Hansohn pointed out that there was a possibility that the hangar rents would be increased. Mr. Bossio agreed that the hangar rent could and would be increased.

Mr. Maddox recommended that in order to assist the Deputy Clerk, each member should be asked to raise his/her right hand on each vote in order to keep an accurate account. He also recommended that when voting on the various tax rates in several categories that it be made clear that the real estate tax rate included the fire and rescue tax

and should be two separate votes. He stated that the personal property tax was advertised and recommended at \$3.50, personal property tax recreational advertised and recommended at \$2.50, aircraft advertised and recommended at 63 cents, and machinery and tools advertised and recommended at \$2.00 and could be adopted by one motion if the rates were not changed. He said that if one of the categories were changed, then each category should be broken out and voted on separately.

Mr. Walker stated that he did not support the \$3.50 personal property tax and had voted against it last year and would continue to vote against it this year. He felt that the rate was anti-business friendly, and it was important to continue to increase and expand the County's business community.

Mrs. Hansohn asked Mr. Walker what rate would he prefer for personal property and where he felt the difference could be regained. Mr. Walker replied that he may be in the minority, but thought that the personal property tax should eventually be eliminated.

Mr. Rosenberger questioned whether consideration could be given to reinstating the merchant's capital tax during the next budget season in order to alleviate the burden on taxpayers.

Mr. Coates asked for an estimate on the amount of revenue generated by the personal property tax. Mr. Bossio estimated that \$4.2 million extra had been generated when the rate was increased.

Mr. Walker stated that even though no specific decisions could be made at this point, consideration should be given in the future to the different impacts of all the various revenue streams that were related to business.

Mr. Chase pointed out that there were two ways to balance a budget: One was increased revenue and the second was decreased expenditures. He did not believe sufficient consideration was given to decreasing expenditures.

Mrs. Hansohn asked what areas Mr. Chase would like to see decreased. Mr. Chase replied that if the schools were included, he would suggest that reconsideration be given to having six principals in the current high school and the need for an additional nurse. He did not agree that employees should be hired prior to building the new school. Mrs. Hansohn agreed that a balancing act had to be achieved because it would be impossible to fund everything that the School had requested.

Mr. Chase stated he was making his yearly push for categorical appropriations so

that if the Schools wanted to move funds from one category to another, it could be done in a timely manner and would not be detrimental to anyone.

Mr. Aylor asked Mr. Rosenberger and Mr. Walker what rates they were considering in lowering personal property taxes and increasing the merchant's capital tax to make up the difference. He noted that the businesses located in the Town were paying a BPOL tax and other businesses contemplating moving to the County were already paying some type of business tax in other locations. He said if a rate could be agreed upon that was fair, it would relieve the burden on citizens and slowly place it on the businesses.

Mr. Rosenberger stated that the issue of a merchant's capital tax should be considered during the next budget cycle, as well as lowering the personal property tax. He noted that the *Code of Virginia* required either a BPOL tax or a merchant's capital tax, and the County had a merchant's capital tax.

Mr. Chase moved to set the real estate tax rate at 54 cents per hundred.

Mrs. Hansohn asked Mr. Chase whether the fire and rescue rate was separate from the 54 cents. Mr. Chase replied that fire and rescue was included in the 54 cents, which would be 50 cents for real estate and four cents for fire and rescue.

Mr. Rosenberger seconded the motion for discussion purposes and asked for clarification of the motion.

Mr. Maddox recommended that Mr. Chase select a rate for real estate, and not fire and rescue tax. Mr. Chase repeated that his motion was 54 cents to include fire and rescue tax.

Mr. Bossio pointed out that at whatever rate the real estate tax was set, four cents for fire and rescue would be maintained in every case.

After a lengthy discussion among the Board members regarding the intent of Mr. Chase's motion, Mr. Maddox stated that he understood the motion was for 54 cents total, of which four cents was for fire and rescue.

Mrs. Hansohn called the question.

Mr. Coates called for voice vote and show of hands.

Ayes - Chase, Rosenberger

Nays - Aylor, Coates, Hansohn, Nixon, Walker

Motion failed 5 to 2.

Mr. Nixon inquired whether the proposed budget included approximately \$500,000 to build a new fire and rescue building and, if so, was it included in the proposed 56 cents. Mrs. Lamb stated that \$700,000 had been factored in for the emergency services building and was included in the 56 cents. Mr. Bossio added that amount was only for the debt service and not the full settlement.

Mrs. Hansohn asked what a penny was worth. Mrs. Lamb replied that one penny equaled \$587,807.

Mr. Nixon stated that although the 56-cent rate advertised may not be ideal, it would cover most of the departments' requests. He asked how much money would be going to the Schools if the rate were set at 56 cents. Mr. Bossio replied that rate would allow \$3 million for school operations and almost \$1 million for capital.

Mrs. Hansohn suggested since the County had a "healthy" General Fund and the personal property rate was raised last year to cover debt service that the tax rate be set at 55 cents, 51 cents for real estate and four cents for fire and rescue. She said that the \$500,000 set-aside could be eliminated for a year and the additional funds could be taken from the General Fund to make up the loss of that one penny.

Mr. Rosenberger asked what the anticipated beginning fund balance was for the next fiscal year. Mrs. Lamb replied that she did not have the exact numbers but the fund balance at the end of March was approximately \$50 million, and there were three more months of operations, including the School System's payrolls.

Mr. Walker noted that the County policy was to maintain 15 percent of the General Fund for cash reserve. Mr. Bossio agreed and referred to the chart referenced earlier that showed the County would be slightly above the 15 percent mark in 2008. He cautioned that the estimates had been prepared on exact billings and there was no room in the budget for any anticipated declines in revenue or any substantial changes by the Board of Equalization.

Mr. Chase recalled that several years ago, one of the neighboring counties had to borrow money to meet payroll for its government.

Mrs. Hansohn stated that she recalled that the \$500,000 future set-aside was separate from the General Fund. Mr. Bossio agreed that the set-aside was tax authority money and represented almost one penny of tax.

Mrs. Hansohn moved to set the real estate tax at 55 cents, 51 cents for real estate and four cents for fire and rescue, and to remove the \$500,000 set-aside with the difference to come from the General Fund.

Mr. Coates asked for a second. The motion died for lack of a second.

Mr. Coates stated he was convinced that the reserve fund should be maintained in order to cover any unforeseen contingencies.

Mr. Bossio reminded the Board that there would be many obligations to meet in the coming years with the opening of two new schools, a new jail, etc., and those expenses would have an impact on both the General Fund and the Board's taxing authority. He said also that the impact of a full year of commercial business tax revenues would be determined over the next year or two.

Mr. Walker asked what impact the proposed emergency center would have on the County's ability to borrow money for the new jail. Mr. Bossio replied that he did not believe the \$700,000 would have an effect on any bonding that the County would do for the jail.

Mr. Chase inquired whether the County was receiving any real estate tax from the Southern county that owned hundreds of acres of river front property. Mr. Walker acknowledged that the Rules Committee had been discussing various forms of payment in lieu of taxes for some time. Mr. Chase hoped some form of payment could be obtained because the County providing law enforcement and fire and rescue services along the river front.

Mr. Nixon stated he felt that the proposed 56 cents would cover the County's basic needs and provide extra funding for the School System. He said that the Schools would like to have \$3.3 million for salary improvements and compensation – \$2.5 million for raises and \$1.8 million for expansion of the scale – and with anticipated State funding should have approximately \$4.8 million.

Mr. Nixon moved to set the tax rate at 56 cents, four cents of which would be dedicated to fire and rescue, for a total of 52 cents for real estate and four cents for fire and rescue.

Mr. Walker seconded the motion made by Mr. Nixon.

Mr. Walker asked for additional information on the School budget. Mr. Bossio replied that he could not elaborate because he did not know what the School Board's plans were. He noted that this year was unusual in that the proposed budget allowed 50 percent more of

local money to the Schools than the approximate \$2 million even at the height of growth because of the reduction in funds from the State. He hoped that the State would reinstitute its contract with education and provide more dollars in the next year. He added that the net effect for the Schools was approximately \$5 million.

Mrs. Hansohn inquired what a new teacher would normally be paid, plus benefits. Mr. Bossio replied that it was approximately \$52,000, with a base salary of \$40,000 plus 30 percent for benefits. Mr. Hansohn stated that \$1 million would hire approximately 20 new teachers, and leave \$3.8 million for raises for the existing teachers.

Mr. Rosenberger asked the Board to keep in mind that historically over the years, there had been unused appropriated monies left in the system because the Schools had not spent all of their funds, and he felt the School System would be as frugal in the future.

Mr. Coates asked for an explanation of what the 56 cents being proposed would cover. Mr. Bossio replied that 56 cents would allow for \$3 million to the Schools' operational budget, a new Records Management Division with two new positions and accompanying CIP, one new position for the Commissioner of the Revenue, one new position for the Treasurer, a Commonwealth Attorney position, four new Sheriff's positions, the new Options position, and \$500,000 for future set-aside and capital.

Mr. Walker asked for confirmation that the \$3 million to the Schools were additional local dollars. Mr. Bossio agreed. Mr. Walker asked how much was for capital. Mrs. Lamb replied that \$970,000 was for capital, which included some of the funds they returned in previous years.

Mr. Chase inquired what was the School System's total budget. Mrs. Lamb replied that with the motion on the floor, \$68,955,547 would go to the Schools for Operations (\$28,544,867 was the local portion of the \$68,955,547), \$2.9 million for food service, \$970,900 for School capital funds, \$7,280,057 for debt service, and the \$500,000 further set-aside.

Mr. Aylor expressed concern that the General Fund and bond rating could not be maintained at the 56-cent rate. Mr. Bossio assured him that the 56 cents would provide the County with a small margin for Fiscal Year 2008, but the downward effects on the County's bond capacity would be felt when money was borrowed for the new jail, etc. Mr. Aylor stated he was leaning toward 57 cents because of the capital projects that would be needed in the near future.

Mr. Walker asked for clarification on the County's bond rating when bonding was done for the new jail. Mr. Bossio explained that the Board had been very conservative in utilizing the 15 percent set-aside program. He said that he could not predict how that may or may not affect the County's bond rating depending upon how the bond raters view the County's cash management position. He added that historically the bond raters liked how the County cash-managed programs for the past six or seven years.

Mr. Coates asked whether revenue sharing had been included in the current budget. Mr. Bossio assured him that it had been.

Mr. Maddox stated he understood the motion on the floor was for 56 cents total and that included four cents for fire and rescue.

Mr. Coates called for voice vote and show of hands.

Ayes - Chase, Coates, Nixon, Walker

Nays - Aylor, Hansohn, Rosenberger

Motion carried 4 to 3.

Mr. Maddox stated that the personal property tax, recreational, aircraft and machinery and tools had been recommended at the same rates and could be covered by one motion should the Board wish to keep the rates at the same level. He said if the Board felt any of the rates should be changed, he recommended a separate motion for each section of the taxes.

Mr. Nixon moved, seconded by Mr. Aylor, to set the rate for personal property at \$3.50, personal property for recreational at \$2.50, personal property for aircraft at 63 cents, and machinery and tools at \$2.00, which were the current levels as advertised.

Mr. Coates called for voice vote and show of hands.

Ayes - Aylor, Coates, Hansohn, Nixon, Rosenberger, Walker

Nay - Chase

Motion carried 6 to 1.

ADOPTION OF FY 2007-2008 COUNTY BUDGET

Mr. Bossio stated that the Board had adopted the tax rate for the budget as proposed with total estimated revenues of \$143,605,876 and expenditures of \$144,105, 876, the difference representing a \$500,000 set-aside, and the budget coincided with the four-cent tax increase.

Mr. Walker moved, seconded by Mr. Nixon, to adopt the FY 2007-08 budget for the year ending June 30, 2008.

Mr. Coates called for voice vote and show of hands.

Ayes - Aylor, Coates, Hansohn, Nixon, Rosenberger, Walker

Nay - Chase

Motion carried 6 to 1.

OTHER BUSINESS

CONSIDERATION OF CAPITAL IMPROVEMENT PLAN (CIP) FOR FY 2008-2012

Mr. Bossio stated that the proposed Capital Improvement Plan for FY 2008-2012 had been recommended by the Planning Commission and was ready for the Board's consideration. He said that Mr. Egertson was present to answer any questions.

Mr. Nixon moved, seconded by Mr. Aylor, to approve the FY 2008-2012 Capital Improvement Plan as presented.

Mr. Walker asked whether the CIP could be postponed until the next Board meeting. Mr. Egertson explained that the CIP had been distributed to the Board at the public hearing on April 17, and was a planning document for 2008 through 2012. He noted that 2008 reflected exactly what the Board had just adopted in its FY 2007-2008 budget, and the balance projects were placeholders reflecting what was planned in the future. He stated that an adopted CIP was necessary when considering proffers and other matters of zoning.

Mr. Chase asked whether the CIP was a dynamic document. Mr. Egertson stated that it was, and it changed every year.

Mr. Coates called for voice vote and show of hands.

Ayes - Aylor, Chase, Coates, Hansohn, Nixon, Rosenberger, Walker

Motion carried 7 to 0.

ADJOURNMENT

Mrs. Hansohn moved to adjourn at 11:33 a.m.

Peggy S. Crane, CMC
Deputy Clerk

John F. Coates, Chairman

ATTEST:

Frank T. Bossio,
Clerk to the Board

APPROVED: June 5, 2007